



SPECIAL REPORT

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HISPANIC CAUCUS,
BLACK CAUCUS
AND DPC

THE IMPACT OF THE BUSH BUDGET ON BLACK AND HISPANIC FAMILIES: LEAVING TOO MANY BEHIND

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The Impact of the Bush Budget on Black & Hispanic Families: Leaving Too Many Behind

While President Bush has emphasized reaching out to minority communities and working for all Americans, President's Bush's "Blueprint for New Beginnings" breaks faith with those promises and short-changes both African-Americans and Hispanic Americans.

First and foremost, the Bush budget puts tax cuts first, and fails to make important investments in education, health care, law enforcement, and digital divide. These budget decisions are particularly harmful to Black and Hispanic Americans. That is because most black and hispanic Americans with children would get NO tax cut at all, while much needed improvements in better education, health care, Social Security and Medicare important to minorities are sacrificed in the Bush budget to pay for these tax cuts.

This report examines the Bush blueprint, showing how it fails to live up to the Bush promise to be a compassionate conservative who is committed to equal opportunity for all. It looks at the following issues:

- Tax Cuts
- Social Security
- Medicare
- Health
- Education
- Justice/Civil Rights
- Digital Divide
- Small Business & Community Development
- Housing

Bush Tax Cuts Leave Black & Hispanic Families Behind

The more than \$2 trillion in tax cuts that the Bush budget spends the surplus on leaves many working families behind, despite claims that the tax cut would go to all taxpayers. The reality is that the tax cut will benefit the wealthy while leaving a majority of black and Hispanic families with children behind.

Specifically, according to the Citizens for Tax Justice, 45% of the Bush tax cuts will go to wealthy families in the top 1% of income.

In contrast, according to the Center on Budget and Policy Priorities, 53 percent of black and Hispanic families with children would receive NO tax reduction if the Bush plan were enacted, even though 75% of these families include someone who is working.

The six million black and Hispanic families that would receive no benefit from the proposal include 6.1 million black children and 6.5 million Hispanic children — or 55 percent of all black children and 56 percent of Hispanic children. Black and Hispanic children would be more than twice as likely to be left out of a tax cut from the Bush plan as non-Hispanic white children would be.

Among non-Hispanic blacks, three million families with children — 52.8 percent of all such families — would not benefit from the Bush tax plan.

The figures among Hispanic families are nearly identical. Among Hispanics, three million families with children — 52.9 percent of Hispanic families with children — would not be aided.

This is the case because the Bush Administration fails to provide tax relief to low- and moderate-income working families that do not earn enough to owe federal income tax but pay substantial amounts of payroll and other taxes. Millions of black and Hispanic families fall into this category.

That minority families will not get the tax cuts is only part of the problem. The fact is that the Bush tax cut would consume virtually all of the projected budget surpluses, leaving little for improvements in other areas critical to minorities, such as education, health care, housing, eliminating the digital divide, providing an adequate Medicare prescription drug benefit for seniors to name a few. Further, these tax cuts threaten the surpluses in Social Security and Medicare that will be needed to prepare for the retirement of the baby boomers.

Social Security

Despite the importance of Social Security to Hispanics, blacks, and all Americans, Republicans have a plan that raids the Social Security Trust Fund and to squander the budget surplus on a risky scheme to partially privatize Social Security.

President Bush's budget raids the Social Security Trust Fund surpluses to the tune of \$600 billion to pay for a partial privatization of Social Security plan – to be developed by a Presidential Commission. Although he has left all the details of how partial privatization of Social Security would work to the Presidential Commission he is creating, President Bush's budget documents indicate that he is calling for raiding the Social Security Trust Fund surpluses to the tune of \$600 billion to pay for a partial privatization plan. Specifically, President Bush's budget dedicates only \$2 trillion of the projected \$2.6 trillion Social Security surplus over the next ten years for debt reduction – thereby claiming that there is \$600 billion in “uncommitted funds” in the Social Security Trust Fund that is available for “personal accounts.” Using this \$600 billion for personal accounts will reduce the solvency of the Social Security Trust Fund.

Creating a partially privatized Social Security system would have enormous “transition” costs. Transferring part of the payroll tax from Social Security into individual accounts would be costly. Since Social Security taxes paid in by current workers are used to pay benefits for current retirees, funds shifted to private accounts would have to be replaced to meet these current obligations. Indeed, candidate George W. Bush acknowledged these large “transition” costs during the campaign. For example, during the third presidential debate, candidate Bush acknowledged, **“You bet, we need to take a trillion dollars out of that \$2.4 trillion [Social Security] surplus [to set up individual accounts].”**

The future of Social Security is particularly important to blacks and Hispanics. That is because blacks and Hispanics have less private pension coverage, and depend heavily on Social Security as the primary source of income in their retirement years. Specifically, Social Security is the only source of retirement income for 39% of older Hispanics and 40% of older African-Americans, according to the Social Security Administration. Nearly 80% of African American and 80% of Hispanic American senior households get a majority of their income from Social Security for their retirement income.

As such, Social Security plays a key role in lifting black and Latino seniors out of poverty. Without Social Security, the poverty rate for elderly Hispanics would increase from 20 percent to nearly 60 percent. For blacks, the poverty rate would increase from 27 percent to 66 percent.

Medicare

In addition to jeopardizing Social Security, the Bush Budget appears to raid the Medicare Trust fund to pay for tax cuts. Specifically, the President’s budget denies the existence of a Medicare surplus and puts the HI surplus of \$526 billion into its “\$1 trillion contingency reserve” fund, which may be used to pay for the tax cuts and programs other than current Medicare benefits. Further, the budget does nothing to extend the solvency of the HI Trust Fund to ensure that sufficient funds are available to meet the continuing health care needs of today’s seniors or the needs of future retirees in the baby-boom generation.

The budget contains a wholly inadequate Medicare prescription drug. The Bush budget increases Medicare spending by \$153 billion relative to current law to fund undefined changes in the structure of Medicare as well as the drug benefit. This is less than even last year’s House Republican plan which was solely for prescription drugs, and carried a ten-year price tag of \$159 billion. That plan was also deemed by many health care analysts and the insurance industry as unworkable and unlikely to provide adequate protection against prescription drug costs for most Medicare beneficiaries.

Medicare and prescription drug coverage is important to black and Hispanic seniors. More than 4.5 million black and Hispanic seniors get their health care through the Medicare program, and that number will balloon over the next 25 years. In fact, by 2025, the Census Bureau estimates that racial and ethnic Americans will more than double as a share of the elderly rising from 14% to 35%, representing one in three seniors.

Further, 25% of Hispanic and African American beneficiaries rely only on Medicare, with no supplemental health insurance -- meaning they have no prescription drug coverage at all -- compared to ten percent of white beneficiaries.

Further, prescription drug coverage is critical as black and Hispanic Medicare beneficiaries have higher than average health needs and lower incomes. Minority seniors suffer a high incidence of chronic illnesses, such as diabetes and cardiovascular disease, which require high-cost prescription medicines.

Health

Access to health care is a critical issue for black and Hispanic Americans. Overall, more than 40% of non-elderly African-Americans and more than 50% of non-elderly Hispanic Americans have no health insurance or rely on Medicaid, according to the Urban Institute. More than 20% of African Americans and 35% of Hispanic Americans have no health insurance at all. Even minority children face obstacles in getting the health care they need. One in three Hispanic children and one in five black children are at risk for being uninsured. Of the 10.8 million uninsured children, 4.4 million were White, 3.4 million were Hispanic, and 2.1 million were Black.

Medicaid Cuts— The President's budget cuts Medicaid spending by \$606 million in 2002 relative to spending under current law. Over five years (2002-2006), Medicaid spending is \$6.9 billion lower than it would be otherwise, and \$17.4 billion lower over ten years (2002-2011). President Bush is making these Medicaid cuts despite the fact that more than 20% of non-elderly African-Americans and 18% of non-elderly Hispanic Americans rely on Medicaid to get health care, according to the Urban Institute.

Cuts in Other Health Programs — Once the National Institutes of Health increase is excluded from the budget, the remaining funds in the budget are insufficient to maintain other appropriated health programs at the 2001 level according to CBO. Given the magnitude of the NIH increase and the budget's overall 2002 funding level of \$41 billion, appropriated health programs other than NIH must be cut by at least 5.4 percent. These could include important minority health programs such as Ryan White AIDS grants, and programs to support maternal and child health.

Inadequate funding for Community Health Centers. In order to continue meeting the demand for health services, a minimum increase of \$250 million is needed rather than the \$125 million increase proposed by the Bush budget plan. This proposal does not begin to fulfill President Bush's campaign promise to provide \$3.6 billion over 5 years to build an additional 1,200 Community Health Centers. Some 70% of the clients served by Community Health Centers are minorities.

The budget proposal reduces funding to Health Professions which provide training grants to institutions to increase the number of under-represented health professionals. The Bush budget proposes this even though many rural and border areas, where there are high concentrations of Hispanics, rarely have an adequate number of doctors and other health care professionals to meet demand. According to the Department of Health and Human Services, there are 3,000 medically underserved communities.

Eliminate the Community Access Program — The budget eliminates \$125 million for the Community Access Program (CAP). CAP provides grants to community providers such as hospitals and community health centers that serve uninsured or under-insured persons. The grants allow these providers to develop and coordinate their care network so that people gain access to necessary health care services.

Education

Everyone agrees that a good education is the most critical key to success. Latinos are the fastest growing and youngest segment of our population. The Education Department's Baby Boom Echo Report shows that Hispanics make up 7.9 million of our school-aged children, and will increase 60% over the next 20 years to 12.7 million. The number of black school-aged children is expected to rise by 3% over the next 20 years. By 2100, about 64 percent of children are expected to be from minority groups.

Schools with high concentrations of Black and Latino students are often in resource-deprived inner cities or rural communities. Schools in these settings are more likely to have overcrowded classrooms, inadequate technology, and deteriorating and unsafe conditions. Black and Latino students lag behind their elementary school peers in reading, math, and science proficiency, as well as in standardized tests. Tutoring, after-school programs, and Title I programs are some of the most effective initiatives to provide assistance to students who need the extra help.

President Bush Proposed the Smallest Increase for Education in Five Years. To make room for his huge tax cuts, President Bush's budget would provide only \$44.5 billion for the U.S. Department of Education, a \$2.4 billion (or 6%) increase and the smallest increase in six years (in percentage terms). Last year, Education received a \$6.5 billion (or 18%) increase. Over the last five years, it has averaged a \$3.8 billion (or 13%) increase.

The Bush Budget Starves Key Education Initiatives. President Bush provides a \$2.4 billion increase for Education, but proposes to spend nearly \$2 billion of it on reading and Pell grants. He leaves only \$400 million for all other education programs—including all other elementary, secondary, and higher education programs, special education, and vocational education—less than the Education Department needs just to keep up with inflation, much less to keep up with growing student populations.

This \$400 million is clearly not enough even to fund any number of education efforts important to improving the performance of minority students. For example, bilingual education programs alone need a \$509 million increase to meet the needs of limited English proficient (LEP) students. Migrant Education needs a \$480 million increase to effectively reach all migrant students according to experts. Further, significant increases are needed for High School Equivalent Program/College Assistance Migrant Program to prevent high school dropout and keep students in college through their first year and for GEAR UP to encourage students, many of which are black or Hispanic, to go on to college.

The Bush Budget also fails minority students in the following respects:

- **The Bush Budget Fails to Address the Critical Needs of Minority-Serving Institutions.** President Bush provides Historically Black Colleges and Universities and Hispanic-Serving Institutions (HSI/HBCU) with a small (6.5%) increase in funding, compared to 24.5% average annual increases over the last three years. This constitutes the smallest increase in HSI/HBCU funding in five years. Since Hispanics form one of the fastest growing groups of students in higher education and over 40 percent of Hispanics in higher education graduate from an HSI, it will take a lot more than a \$19 million increase in HSI/HBCU funding to meet the needs of this student population. Further, HBCUs enroll 16% of all African Americans nationwide, and confer more than 70% of the degrees granted to African Americans and yet Bush is proposing to slash the rate of increase for these institutions that are critical to the success of many minority students.
- **Zeros Out School Modernization.** The Bush budget eliminates the School Renovation Program next year, and retroactively redirects the \$1.2 billion already appropriated for this year to technology and special education. As many as 1,000 schools will not be renovated. Many of the schools that need modernization are in minority urban areas.
- **Eliminates the Class-Size Reduction Initiative.** The Bush budget consolidates class-size and Eisenhower professional development, but fails to provide enough funding to continue reducing class size and expand professional development and training for teachers. The Class Size Initiative has helped schools hire 37,000 teachers and provide smaller classes to 2 million children which recent reports indicate is particularly important to black students. (“Would Smaller Classes Help Close the Black-White Achievement Gap,” Princeton University, March 2001) Specifically, this report showed that while black students are in small classes, their average test scores increased by 7-10 percentile points – nearly twice that of white students (3-4 percentile points).
- **Provides Only a 4% Increase for Pell.** President Bush proposed a \$1 billion increase for the Pell program—but over \$540 million is needed just to maintain the maximum Pell grant at its current level of \$3,750. As a result, the maximum Pell grant would increase by no more than \$150 (or 4%) under the Bush budget. Last year, the maximum Pell grant increased by \$450 (or 14%). The \$1 billion request is \$1.5 billion short of President Bush’s campaign proposal to provide \$5,100 Pell grants to low-income freshman. Pell Grants are key to helping black and Hispanic young people get to college. In fact, more than 40% of black and Hispanic students at four-year colleges and universities depend on Pell Grants to make college affordable.
- **Makes No Progress on Special Education Funding.** In his campaign, President Bush promised to increase resources for special education under the Individuals with Disabilities Education Act, moving toward federal “full funding” at 40% of the average per pupil expenditures. However, he has not released his IDEA request

and the limited remaining resources in his budget make it unlikely that he will increase this year's funding of 15% of special education costs.

- **Freezes Funding for After-School and Safety Programs Even Though These are Key to School Safety** — The budget combines and freezes funding for the Safe and Drug Free Schools program and the 21st Century Community Learning Centers after-school program. According to the 1998 National Assessment of Educational Progress (NEAP), higher percentages of black and Hispanic 4th grade students reported feeling “very unsafe” at school than did white students.

The Bush budget, when it comes to education for minority students, seems to leave many behind.

Justice Department/Civil Rights

The president would freeze the Justice Department's budget, effectively cutting the department by 9% when accounting for inflation. These cuts at the Justice Department could hinder both civil rights enforcement, legal services for minorities, and efforts to fight crime on our streets.

Specifically, the Bush budget calls for cutting \$1.5 billion from state and local law enforcement and state prison grants. This could be very harmful in minority communities, as minority communities continue to live in fear of crime. Blacks were victims of violent crime in 1999 at rates higher than whites and other races put together. Hispanic Americans were more likely to be victims of robbery or aggravated assaults.

While Bush has said he stands for providing equal opportunity to all, his budget does not put money into enforcing the civil rights laws of our land.

The budget decreases funding for the Equal Employment Opportunity Commission by \$9 million below the level needed to maintain current services. The Equal Employment Opportunity Commission (EEOC) is the key agency in the federal government to fight employment discrimination based on race, ethnicity or gender. The EEOC handles between 75,000 and 80,000 employment discrimination charges a year – nearly 30,000 of which are charges of racial discrimination, and nearly 8,000 of which are charges of discrimination based on ethnicity. Employment discrimination continues to be an ongoing problem for Blacks and Hispanics. A study by the Urban Institute found that white job applicants receive 33% more interviews and 52% more job offers than equally qualified Hispanics. Even though the commission is important to ensuring that a fair opportunity in the workplace exists for all, and the number of discrimination cases has grown, the Bush budget fails to fairly fund this key commission.

Further, given the magnitude of the cuts in the Justice Department, many are concerned that the lack of funding may reduce the effectiveness of the DOJ's civil rights division.

Further, even though the Legal Services Corporation provides critical legal services to the African American and Hispanic communities, the Bush budget cuts the Legal Services Corporation by \$8 million. The Legal Services Corporation is the key mechanism to provide legal services to low-income Americans on issues ranging from domestic violence, child custody, evictions, access to health care, bankruptcy, unemployment and disability claims. In 1999, Legal Services Corporation recipients closed more than 1 million civil legal cases and dealt with many other issues faced by millions of low-income Americans. Almost 30% of those currently served by the Legal Services Corporation are Hispanic and 27% of Legal Services Corporation clients were black. The Bush budget proposes these cuts even though the Legal Services Corporation is able to serve only 20% of eligible clients; 80% of eligible clients are unable to get needed legal assistance.

Digital Divide

While Blacks and Hispanics have made progress in getting computers and getting hooked to the internet, the digital divide -- with whites enjoying far greater access to such technology than blacks and Hispanics -- continues to widen. While 46% of white households are connected, only 23% of black and 23% of hispanic households have internet access. The divide between black households with Internet access and the national average actually increased 3.0 percentage points over the past two years -- from 15.0 percentage points in 1998 to 18.0 percentage points in 2000. The divide between Hispanic households and the national average rate increased 4.3 percentage points -- from 13.6 percentage points in 1998 to 17.9 percentage points in 2000.

And yet, the Bush administration is proposing to slash government programs providing computers and internet access to poor and underserved areas. Press reports indicate the Bush budget would slash about 65% from efforts to bridge the so-called digital divide by providing computers and Internet access to poor and underserved areas. The program would be cut to \$15 million from \$42.5 million.

Further, Bush proposes to save \$175 million by ending loans from the Rural Telephone Bank, created as an alternative source of financing to establish private rural telephone companies. These funds are important to modernizing the telecommunication infrastructure in rural America. Continuing this program is critical to ensuring that rural residences are not left behind in the internet economy.

Finally, many minorities are concerned the President Bush will eliminate the e-rate program, has been an extremely successful program, bringing technology into many schools with high Hispanic and low-income student populations.

Small Business/Community Development

According to the SBA, minority and women owned businesses are the most rapidly growing segments of the business community. Although the nation's minorities account for 26 percent of today's population and 90 percent of projected population growth over the next

50 years, they own only 11.6 percent of the nation's businesses. Nevertheless, minority-owned firms have been growing at twice the rate of all firms in the U.S. economy, in both their total sales and the emergence of new firms. There are more than two million minority firms with aggregate sales in excess of \$205 billion.

In part, minority business success is due to the availability of assistance from the Small Business Administration. And yet President Bush is making significant cuts to the SBA which would harm the start ups of minority-owned businesses. Specifically, the Bush budget:

- Cuts the SBA's budget by 43% and makes up the majority of the loss by increasing fees to important programs that provide much needed access to capital such as the \$168 million in new fees under the 7(a) Loan Guaranty Program and the SBIC loan program. These fees will be as high as \$2,400 per loan, plus higher interest rates.
- Imposes \$12 million in new fees on small businesses that use the Small Business Development Centers, which provide management and technical assistance to current and prospective business owners.

Senator Christopher S. Bond, the Missouri Republican who is chairman of the Senate Committee on Small Business, said he was "very concerned" about Mr. Bush's proposal to eliminate a program of loan guarantees for small businesses, which he said, "would not otherwise be able to obtain loans to support business expansion and new jobs." (*New York Times*, 3/1/01)

Not only does the President's budget propose to cut Small Business programs, it also proposes the following cuts in programs to stimulate investment and economic growth in distressed communities, as follows.

President Bush's Budget:

- Eliminates the \$45 million New Markets Venture Capital Program. This is part of President Clinton's "New Markets Initiative" to bring prosperity to the struggling areas of the country that was supported by and developed with Speaker Hastert. This program was only created by Congress last year to provide much needed venture capital to stimulate investment and new businesses in economically depressed areas.
- Cuts \$35 million to Empowerment Zones funding, which give distressed communities funding for initiatives to stimulate job creation, improve neighborhood development, and improve community safety.
- Cuts funding for Community Development Financial Institutions fund, which aims to aid investment in economically distressed areas by providing financial and technical aid to encourage banks and thrifts to expand services in distressed areas.

The Bush budget proposes these cuts, even though these programs have strong bipartisan support, and are key to the National League of Cities' goal of investing in the revitalization

of existing communities. Even though President Bush has talked about helping all Americans, his budget appears to leave many distressed communities with large Hispanic and African-American populations struggling.

Public Housing

The Bush Administration cuts \$859 million from the public housing budget, even though public housing funds make it possible for 1.3 million low-income families to have homes. Nearly half of these residents are African-American. Despite the importance to minority communities, the budget slashes funds for public housing building upkeep by \$766 million (23 percent). This includes a \$700 million cut in funds for repair and maintenance of public housing units.

The Bush budget also eliminates the \$316 million Drug Elimination grants program, which provides funds for drug prevention services and security features in public housing, which pays for security guards and police protection at public housing.

Other housing programs that are cut or eliminated are:

- Community Development—The Administration cuts \$422 million from the Community Development Block Grant (CDBG) program, which helps local governments fund local community development programs.
- HOME housing block grants -- The Administration budget cuts \$200 million from this flexible affordable housing program [an 11% cut].
- Section 8 Rental Assistance – The Administration budget proposes a dangerous \$640 million cut in Section 8 reserves, which could jeopardize local agencies' ability to pay rental subsidy checks on time. The Bush proposal for 34,000 incremental Section 8 vouchers is one-half of the level funded the last three years (and one-third the level proposed by the Clinton Administration).

Conclusion

While the President has talked a lot about compassionate conservatism and leaving no one behind, his budget appears to be off-message. To the dismay of our minority communities, this budget appears to sacrifice compassion for the sake of tax cuts.